

CITY OF SANBORN, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

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CITY OF SANBORN, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Duane VanVeldhuizen	Mayor	January 2016
Greg Vogelaar	Council Member	January 2016
Josh Rydberg	Council Member	January 2016
Brian Visser	Council Member	January 2016
Jerry Back	Council Member	January 2018
Randy Lyman	Council Member	January 2018
Jim Zeutenhorst	City Administrator	Appointed
Becki Hurtig	Clerk	Appointed
Peggy Japenga	Deputy Clerk/Accountant	Appointed
Daniel DeKoter	Attorney	Appointed



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sanborn as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanborn's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2008 (none of which are presented herein) were audited by other auditors. Those audit reports expressed unqualified opinions on the primary government financial statements for the four years ended June 30, 2008. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4-10 and 26-27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014 on our consideration of the City of Sanborn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sanborn's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

March 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sanborn, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased by approximately \$321,000 from 2012. The increase was due in part to the bond proceeds received in fiscal year 2013.
- Disbursements from the City's governmental activities increased by approximately \$342,000 in fiscal year 2013 from fiscal year 2012. Disbursements increased mainly due to the purchase of a new fire truck in fiscal year 2013.
- The City's total cash basis net position increased \$248,000 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased by approximately \$5,500 and the cash basis net position of the business type activities increased by approximately \$243,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's indebtedness, and the Governmental Funds' cash receipts and disbursements for the year.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, gas, sewer rental and solid waste collection system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Local Option Sales Tax, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the water, gas, sewer rental and solid waste collection funds. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

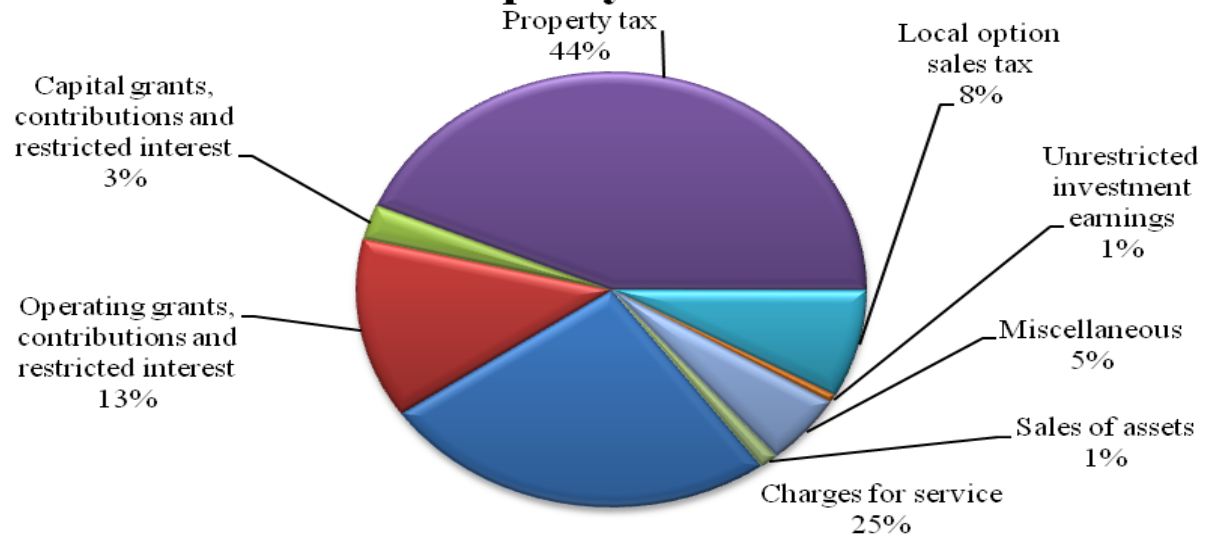
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

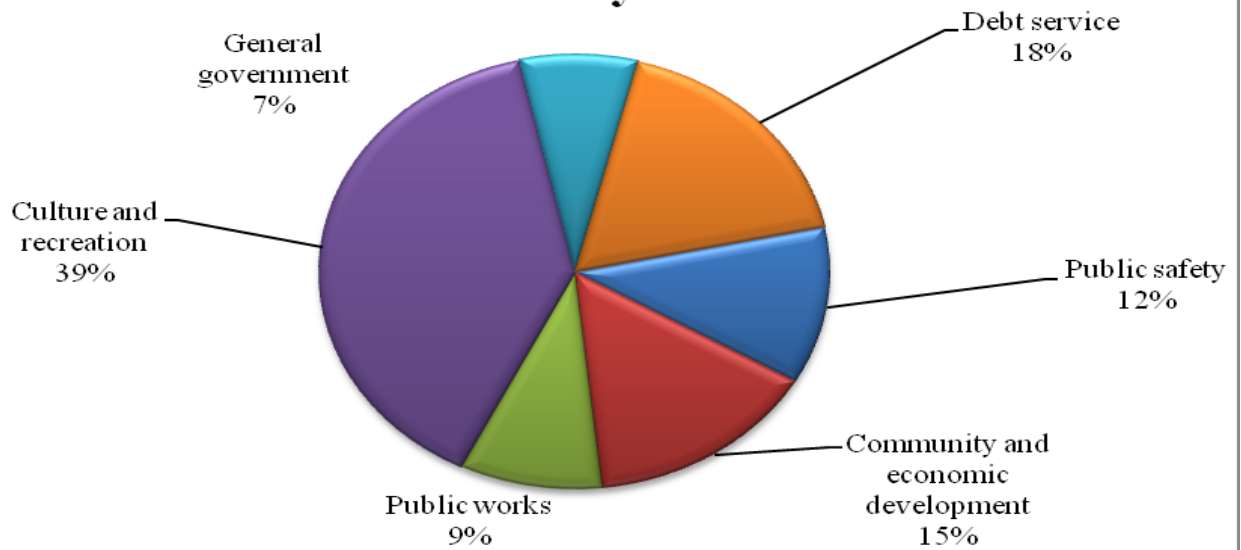
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago by approximately \$5,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30.	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 405	414
Operating grants, contributions and restricted interest	218	218
Capital grants, contributions and restricted interest	155	42
General receipts:		
Property tax	424	409
Tax increment financing	310	303
Local option sales tax	134	130
Unrestricted investment earnings	8	10
Bonds issued	150	-
Miscellaneous	137	85
Sales of assets	10	19
Total receipts	<u>1,951</u>	<u>1,630</u>
Disbursements:		
Public Safety	600	197
Public works	176	152
Culture and recreation	507	658
Community and economic development	142	250
General government	164	126
Debt service	433	297
Capital projects	-	-
Total disbursements	<u>2,022</u>	<u>1,680</u>
Change in cash basis before transfers	(71)	(50)
Transfers, net	<u>76</u>	<u>76</u>
Change in cash basis net position	5	26
Cash basis net position beginning of year	<u>1,180</u>	<u>1,154</u>
Cash basis net position end of year	<u>\$ 1,185</u>	<u>1,180</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by approximately \$321,000. The total cost of all programs and services increased by approximately \$342,000, or 20%, primarily due to the purchase of a fire truck in fiscal year 2013.

Changes in Cash Basis Net Position of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30.	
	2013	2012
Receipts:		
Charges for service:		
Water	\$ 253	247
Gas	986	1,029
Sewer rental	416	426
Solid waste collection	114	118
Bond proceeds	695	-
Unrestricted interest on investments	8	9
Total receipts	<u>2,472</u>	<u>1,829</u>
Disbursements:		
Water	613	591
Gas	953	1,007
Sewer rental	484	432
Solid waste collection	<u>104</u>	<u>172</u>
Total receipts	<u>2,154</u>	<u>2,202</u>
Change in cash basis before transfers	318	(373)
Transfers, net	<u>(76)</u>	<u>(76)</u>
Change in cash basis net position	242	(449)
Cash basis net position beginning of year	<u>834</u>	<u>1,283</u>
Cash basis net position end of year	<u>\$ 1,076</u>	<u>834</u>

Total business type activities receipts for the fiscal year increased approximately \$643,000 from last year, from approximately \$1.8 million to \$2.5 million. Disbursements decreased slightly however due to reduced disbursements for capital items in the gas fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sanborn completed the year, its governmental funds reported a combined fund balance of \$1,166,852, an increase of approximately \$77,500 from last year's total of \$1,089,355. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$28,786 during the year. This increase was due to budgeting.
- The Urban Renewal Tax Increment Fund cash balance increased by \$27,529, primarily because tax collections exceeding the debt service requirements for the year in anticipating funding the low and moderate income housing obligation.
- The LOST fund cash balance increased \$73,500 in fiscal year 2013 due to decreased need for the use of the LOST dollars during the fiscal year.

- The Development Fund increased \$3,911 due to planned operations for the fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund increased \$333,466 due to bond proceeds received during the fiscal year.
- The Sewer Fund decreased \$72,580 due mainly to increased operating expenses in the fiscal year.
- The Gas Fund decreased \$45,466 over the previous year due to its regular operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The budget amendment was approved on May 20, 2013 resulting in an increase in operating disbursements for Public Works Debt Service Activities of \$250,000. The City's actual disbursements were exceeded budgeted limits for the general government function for the year ended June 30, 2013.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$2,558,000 in bonds and other long-term debt, compared to approximately \$2,185,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30.	
	2013	2012
General obligation bonds and notes	\$ 1,290	\$ 1,530
Revenue bonds and notes	1,268	655
Total receipts and transfers	<u>\$ 2,558</u>	<u>\$ 2,185</u>

Debt increased as a result of receiving the proceeds of water revenue bonds during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1.29 million is 44% of the City's constitutional debt limit of \$2.91 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In completing the fiscal year 2014 budget the elected and appointed officials of Sanborn considered many factors. Those factors included the economy, employment rates, operating expenses, capital projects, and other government mandates.

These factors resulted in budgeted revenues of \$7,604,180 and budgeted disbursements of \$7,742,759. These levels are significantly higher respectively than the budgeted levels for fiscal year 2013 due mainly to planned capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk, 102 Main Street, Sanborn, Iowa.

Basic Financial Statements

CITY OF SANBORN, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	599,586	64,842	-	-
Public works	175,731	-	134,455	117,318
Culture and recreation	506,993	334,421	8,542	-
Community and economic development	141,712	-	-	37,178
General government	164,465	5,550	75,500	-
Debt service	433,464	-	-	-
Total government activities	2,021,951	404,813	218,497	154,496
Business type activities:				
Water	611,790	253,071	-	-
Gas	952,552	987,154	-	-
Sewer rental	484,430	416,000	-	-
Solid waste collection	104,129	113,804	-	-
Total business type activities	2,152,901	1,770,029	-	-
Total	4,174,852	2,174,842	218,497	154,496

General Receipts

Property tax levied for:

- General purposes
- Employee benefits
- Debt service
- Tax increment financing

Local option sales tax

Unrestricted interest on investments

Bond proceeds

Miscellaneous

Sales of assets

Transfers in (out)

Total general receipts and transfers

Change in cash basis net position

Cash beginning of year

Cash end of year

Cash Basis Net Position

Restricted

- Expendable
- Streets
- Urban renewal purposes
- Debt service
- Other purposes

Unrestricted

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash		
Governmental Activities	Business Type Activities	Total
(534,744)	-	(534,744)
76,042	-	76,042
(164,030)	-	(164,030)
(104,534)	-	(104,534)
(83,415)	-	(83,415)
(433,464)	-	(433,464)
(1,244,145)	-	(1,244,145)
-	(358,719)	(358,719)
-	34,602	34,602
-	(68,430)	(68,430)
-	9,675	9,675
-	(382,872)	(382,872)
(1,244,145)	(382,872)	(1,627,017)
266,253	-	266,253
76,147	-	76,147
82,040	-	82,040
309,608	-	309,608
133,659	-	133,659
8,513	6,547	15,060
150,000	695,000	845,000
137,146	-	137,146
10,276	-	10,276
76,000	(76,000)	-
1,249,642	625,547	1,875,189
5,497	242,675	248,172
1,179,713	833,662	2,013,375
1,185,210	1,076,337	2,261,547
76,127	-	76,127
211,312	-	211,312
22,913	67,804	90,717
499,164	-	499,164
375,694	1,008,533	1,384,227
1,185,210	1,076,337	2,261,547

CITY OF SANBORN, IOWA

Exhibit B

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	General	Special Revenue			Nonmajor Governmental Funds	Total
		Urban Renewal Tax Increment	LOST	Development		
Receipts:						
Property tax	\$ 266,253	-	-	-	158,187	424,440
Tax increment financing	-	309,608	-	-	-	309,608
Other city tax	19,748	-	133,659	-	-	153,407
Licenses and permits	1,859	-	-	-	-	1,859
Use of money and property	4,064	1,349	651	1,654	795	8,513
Intergovernmental	201,361	-	-	-	171,633	372,994
Charges for service	404,813	-	-	-	-	404,813
Miscellaneous	111,596	-	-	3,943	-	115,539
	<u>1,009,694</u>	<u>310,957</u>	<u>134,310</u>	<u>5,597</u>	<u>330,615</u>	<u>1,791,173</u>
Disbursements:						
Public safety	560,299	-	-	-	39,287	599,586
Public works	57,501	-	-	-	118,230	175,731
Culture and recreation	490,207	-	-	-	16,786	506,993
Community and economic development	53,789	4,200	50,834	7,686	25,203	141,712
General government	159,388	-	-	-	5,077	164,465
Debt service	-	279,498	-	-	153,967	433,465
	<u>1,321,184</u>	<u>283,698</u>	<u>50,834</u>	<u>7,686</u>	<u>358,550</u>	<u>2,021,952</u>
Excess (deficiency) of receipts over (under) disbursements	(311,490)	27,259	83,476	(2,089)	(27,935)	(230,779)
Other financing sources (uses):						
Sales of assets	4,276	-	-	6,000	-	10,276
Bonds issued	-	-	-	-	150,000	150,000
Operating transfers in	404,000	-	-	-	-	404,000
Operating transfers out	(68,000)	-	(10,000)	-	(178,000)	(256,000)
	<u>340,276</u>	<u>-</u>	<u>(10,000)</u>	<u>6,000</u>	<u>(28,000)</u>	<u>308,276</u>
Net change in cash balances	28,786	27,259	73,476	3,911	(55,935)	77,497
Balance beginning of year	346,908	184,053	100,547	279,045	178,802	1,089,355
Balance end of year	<u>\$ 375,694</u>	<u>211,312</u>	<u>174,023</u>	<u>282,956</u>	<u>122,867</u>	<u>1,166,852</u>
Cash Basis Fund Balance						
Restricted for:						
Urban renewal purposes	\$ -	211,312	-	-	-	211,312
Debt service	-	-	-	-	22,913	22,913
Other purposes	-	-	174,023	282,956	99,954	556,933
Assigned for:						
Library	25,798	-	-	-	-	25,798
Ambulance	-	-	-	-	-	-
Unassigned	349,896	-	-	-	-	349,896
Total cash basis fund balances	<u>\$ 375,694</u>	<u>211,312</u>	<u>174,023</u>	<u>282,956</u>	<u>122,867</u>	<u>1,166,852</u>

See notes to financial statements.

CITY OF SANBORN, IOWA

Exhibit C

Reconciliation of the Statement of
Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis - Statement of Activities and Net Position
Governmental Funds

As of and for the year ended June 30, 2013

Total governmental funds cash balances	\$ 1,166,852
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the cost of using city equipment to individual funds. This portion of the cash basis net position of the Internal Service Fund are included in governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>18,358</u>
Cash basis net position of governmental activities	<u><u>1,185,210</u></u>
 Net change in cash balances	 77,497
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position - Cash Basis are different because:</i>	
The Internal Service fund is used by management to charge the costs of the use of city equipment to individual funds. This portion of change in the cash basis net position of the Internal Service Fund is reported with the governmental activities.	<u>(72,000)</u>
Change in cash balance of governmental activities	<u><u>\$ 5,497</u></u>

See notes to financial statements.

CITY OF SANBORN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds				Total
	Water	Gas	Sewer Rental	Non-Major Solid Waste Collection	
Receipts					
Use of money and property	\$ -	1,595	-	-	1,595
Charges for service	253,071	985,559	416,000	113,804	1,768,434
	253,071	987,154	416,000	113,804	1,770,029
Disbursements					
Total operating disbursements	183,341	952,552	392,739	104,129	1,632,761
	183,341	952,552	392,739	104,129	1,632,761
Excess of operating receipts over operating disbursements	69,730	34,602	23,261	9,675	137,268
Non-operating receipts (disbursements):					
Interest on investments	1,185	4,432	850	80	6,547
Debt service	(52,804)	-	(61,650)	-	(114,454)
Capital projects	(375,645)	-	(30,041)	-	(405,686)
Excess (deficiency) of receipts over (under) disbursements	(357,534)	39,034	(67,580)	9,755	(376,325)
Other financing sources (uses):					
Long term debt issued	695,000	-	-	-	695,000
Operating transfers in	-	-	-	-	-
Operating transfers out	(4,000)	(84,500)	(5,000)	(10,000)	(103,500)
	691,000	(84,500)	(5,000)	(10,000)	591,500
Net change in cash balances	333,466	(45,466)	(72,580)	(245)	215,175
Balance beginning of year	(299,095)	892,196	190,699	(28,250)	755,550
Balance end of year	\$ 34,371	846,730	118,119	(28,495)	970,725
Cash Basis Fund Balances					
Restricted for debt service	\$ 67,712	-	92	-	67,804
Unrestricted	(33,341)	846,730	118,027	(28,495)	902,921
	\$ 34,371	846,730	118,119	(28,495)	970,725

See notes to financial statements.

Exhibit D

Internal Service Fund	
Equipment Replacement	Total
-	1,595
-	1,768,434
-	1,770,029
-	1,632,761
-	1,632,761
-	137,268
-	6,547
-	(114,454)
-	(405,686)
-	(376,325)
	695,000
95,500	95,500
(140,000)	(243,500)
(44,500)	547,000
(44,500)	170,675
168,470	924,020
123,970	1,094,695
-	67,804
123,970	1,026,891
123,970	1,094,695

CITY OF SANBORN, IOWA

Exhibit E

Reconciliation of the Statement of
Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Proprietary Funds

As of and for the year ended June 30, 2013

Total enterprise funds cash balances	\$ 970,725
---	------------

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service Fund is used by management to charge the costs of using city equipment to individual funds. This portion of the cash basis net position of the Internal Service Fund are included in business-type activities in the Cash Basis Statement of Activities and Net Position.

105,612

Cash basis net position of business type activities

1,076,337

Net change in cash balances	215,175
------------------------------------	---------

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service fund is used by management to charge the costs of the use of city equipment to individual funds. This portion of the change in cash basis net position in the Internal Service Fund is reported with the enterprise activities in the Cash Basis Statement of Activities and Net Position.

27,500

Change in cash balance of business-type activities

\$ 242,675

See notes to financial statements.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(1) **Summary of Significant Accounting Policies**

The City of Sanborn is a political subdivision of the State of Iowa located in O'Brien County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, gas, sewer rental and solid waste collection services to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sanborn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has the following component unit based on these criteria.

Discretely Presented Component Unit

The Sanborn Electric and Telecommunications Utility, established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a Board of Trustees appointed by the Mayor and approved by the City Council to six-year terms. The Utility provides electric service to the residents and businesses of the City of Sanborn. Cable television, internet and telephone service is provided through the Utility's involvement with the Community Cable Television Agency of O'Brien County. In accordance with the criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 11 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements for the year ended December 31, 2012, can be obtained from the Municipal Utilities administration office, 102 Main Street, Sanborn, Iowa.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

of the following boards and commissions: Northwest Iowa Landfill Association, E-911 Board, Northwest Iowa League of Cities Board, Northern Municipal Distributors Group, O'Brien County Economic Development Board, Vector Safety Board and the Northwest Iowa Planning Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position (previously net assets) reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on net positions' use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund (LOST) is used to account for sales tax remittances received from the state and the disbursement of those funds.

The Development Fund is used to account for lot sales in the City's housing development.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

The Enterprise, Sewer Fund accounts for operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary type fund:

The Equipment Replacement Fund is used to accumulate funds for capital equipment additions the City may need in the future.

C. Measurement Focus and Basis of Accounting

The City of Sanborn maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. The City expenditures for the general government function exceeded the amount budgeted for the year ended June 30, 2013.

(2) Cash and Investments

The City's deposits in banks at June 30, 2013 (which include certificates of deposit totaling \$958,871) were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

At June 30, 2013, the City had the following investments:

Type	Carrying Amount	Fair Value
United States Savings Bonds Series EE – mature July 2034	\$ 15,652	\$ 15,652

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes and bonds are as follows:

Year Ending June 30.	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 245,000	35,218	83,000	67,718	328,000	102,936
2015	250,000	29,995	84,000	60,865	334,000	90,860
2016	255,000	23,845	91,000	53,055	346,000	76,900
2017	265,000	16,645	92,000	43,800	357,000	60,445
2018	275,000	8,525	94,000	33,595	369,000	42,120
2019-2023	-	-	496,000	89,440	496,000	89,440
2024-2028	-	-	328,000	21,190	328,000	21,190
	<u>\$ 1,290,000</u>	<u>114,228</u>	<u>1,268,000</u>	<u>369,663</u>	<u>2,558,000</u>	<u>483,891</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$695,000 in sewer revenue notes issued in July 2012. Proceeds from the notes provided financing for the construction of water system improvements. The notes are payable solely from water customer net receipts and are payable through 2028. The total principal and interest remaining to be paid on the notes is \$784,345. For the current year, principal and interest paid and total customer net receipts were \$52,804 and \$69,730 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$916,000 in sewer revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of sewer improvements and extensions. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

notes is \$739,090. For the current year, principal and interest paid and total customer net receipts were \$61,650 and \$23,261 respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The Sewer Bonds require the system generate net revenues sufficient to pay 110% of the highest annual principal and interest installments due to maturity. The Sewer Fund failed to meet this requirement for the year ended June 30, 2013.

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	General Obligation Bonds	Revenue Bonds	Total
Balance, beginning of year	\$ 1,530,000	655,000	2,185,000
Additions	150,000	695,000	845,000
Decreases	390,000	82,000	472,000
Balance, end of year	<u>\$ 1,290,000</u>	<u>1,268,000</u>	<u>2,558,000</u>

Interest rates on the general obligation bonds range from 2.40 to 4.75%. Interest rates on the revenue bonds range from .85 to 3.0%.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual salary and the City is required to contribute 8.67% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$46,861, \$47,979, and \$35,486 respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 19 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$742 for single coverage and \$821 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed the entire cost of the plan, a total of \$138,050.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement, termination or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as expenditures by the City until they are used or paid. The City's approximate liability for earned vacation at June 30, 2013 was \$30,627. This liability has been computed based on rates of pay in effect at July 1, 2014.

(7) Economic Dependency

The Water, Sewer and Gas enterprise funds of the City of Sanborn derived the following receipts from Associated Milk Producers, Inc. for the fiscal year ended June 30, 2013:

	<u>Amount</u>	<u>Percent of Total</u>
Sale of Water	\$ 86,155	36%
Sale of Gas	512,566	64%
Sewer Rental Fees and Assessments	230,646	52%

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(8) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2013 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue Fund-LOST	\$ 10,000
	Debt Service	178,000
	Equipment Replacement	140,000
	Enterprise Fund - Gas	<u>76,000</u>
		404,000
Internal Service Fund- Equipment Replacement	General Fund	68,000
	Enterprise Fund-Water	4,000
	Enterprise Fund-Sewer	5,000
	Enterprise Fund-Gas	8,500
	Enterprise Fund-Solid Waste	<u>10,000</u>
		<u>95,500</u>
	Total	<u>\$ 499,500</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the funds.

(9) Risk Management

The City of Sanborn is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Property Tax

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Sanborn. Property tax becomes a lien on property as of July 1, 2012 and is payable in September 2012 and March 2013 of the fiscal year. The valuation for the taxes was based on January 1, 2010 assessed property valuations, and are based on a certified budget from March of 2012.

(12) Sanborn Electric and Telecommunications Utilities

The Sanborn Electric and Telecommunications Utilities (Utility) provides electric and telecommunication services for the City of Sanborn, Iowa. As permitted by GASB Statement No. 34, the City has opted to

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

present condensed financial information for its discretely presented component unit. Following is the condensed financial information, presented in accordance with accounting standards generally accepted in the United States of America, for the Utility for the year ended December 31, 2012.

 Condensed Statement of Net Position

Assets:	
Current assets	\$ 2,046,876
Capital assets, net of accumulated depreciation	4,691,427
Other	<u>1,558,993</u>
Total assets	<u>8,297,296</u>
Liabilities:	
Long-term debt outstanding	3,681,999
Other liabilities	<u>437,063</u>
Total liabilities	<u>4,119,062</u>
Net position:	
Net investment in capital assets	1,466,764
Restricted-expendable	825,812
Unrestricted	<u>1,885,658</u>
Total net position	<u>4,178,234</u>
Total liabilities and net position	<u><u>\$ 8,297,296</u></u>

 Condensed Statement of Revenue, Expenses and Changes in Net Position

Operating revenues:	
Electric energy sales	\$ 2,007,865
Other Sales	<u>6,497</u>
Total operating revenues	<u>2,014,362</u>
Operating expenses:	
Power production	1,049,736
Distribution and commercial	160,564
Depreciation	207,779
General and administrative	<u>382,419</u>
Total operating expenses	<u>1,800,498</u>
Operating income	<u>213,864</u>
Non-operating revenues (expenses):	
Total non-operating revenue and (expense)	<u>(9,467)</u>
Net income before transfers	204,397
Transfers to City	<u>(96,578)</u>
Increase in net position	107,820
Net position at beginning of year	<u>4,070,414</u>
Net position at end of year	<u><u>\$ 4,178,234</u></u>

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Condensed Statement of Cash Flows	
Cash flows from operating activities	\$ 476,164
Cash flows used for non-capital financing activities	(96,578)
Cash flows used for capital and related financing activities	(345,534)
Cash flows used for investing activities	<u>39,379</u>
Decrease in cash	73,431
Cash, beginning of year	<u>2,336,472</u>
Cash, end of year	<u><u>2,409,903</u></u>

(13) Deficit Fund Balance

The City reported deficit balances of \$35,628 and \$28,495 in the Housing and Solid Waste Funds respectively, at June 30, 2013. The deficit fund balance in the Housing Fund was the result of the housing expenses exceeding the grants dollars received. This deficit will be eliminated by future grant receipts. The deficit in the Solid Waste Fund is due in part to accumulating savings in the Equipment Replacement Fund.

(14) Subsequent Events

Management has evaluated events and transactions through March 25, 2014, the date the financial statements were issued, for potential recognition or disclosure in the financial statements.

Other Information

CITY OF SANBORN, IOWA

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

OTHER INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 424,440	-	424,440
Tax Increment Financing Collections	309,608	-	309,608
Other city taxes	153,407	-	153,407
Licenses and permits	1,859	-	1,859
Use of money and property	8,513	8,142	16,655
Intergovernmental	372,994	-	372,994
Charges for service	404,813	1,768,434	2,173,247
Special assessments	-	-	-
Miscellaneous	115,539	-	115,539
	<u>1,791,173</u>	<u>1,776,576</u>	<u>3,567,749</u>
Disbursements:			
Program			
Public safety	599,586	-	599,586
Public works	175,731	-	175,731
Culture and recreation	506,993	-	506,993
Community and economic development	141,712	-	141,712
General government	164,465	-	164,465
Debt service	433,465	-	433,465
Business type activities	-	2,152,901	2,152,901
	<u>2,021,952</u>	<u>2,152,901</u>	<u>4,174,853</u>
Excess (deficiency) of receipts over disbursements	(230,779)	(376,325)	(607,104)
Other financing sources (uses), net	<u>308,276</u>	<u>547,000</u>	<u>855,276</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	77,497	170,675	248,172
Balance beginning of year	<u>1,089,355</u>	<u>924,020</u>	<u>2,013,375</u>
Balance end of year	<u>\$ 1,166,852</u>	<u>1,094,695</u>	<u>2,261,547</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
407,149	407,149	17,291
318,879	318,879	(9,271)
106,501	131,501	21,906
3,125	3,125	(1,266)
18,500	18,500	(1,845)
411,615	411,615	(38,621)
2,621,465	2,621,465	(448,218)
10,000	10,000	(10,000)
47,000	164,400	(48,861)
3,944,234	4,086,634	(518,885)

635,400	635,400	35,814
200,100	250,100	74,369
526,625	526,625	19,632
560,000	560,000	418,288
140,650	140,650	(23,815)
279,498	479,498	46,033
2,865,965	2,865,965	713,064
5,208,238	5,458,238	1,283,385

(1,264,004)	(1,371,604)	764,500
839,500	1,414,500	(559,224)

(424,504)	42,896	205,276
2,459,948	2,459,948	(446,573)
2,035,444	2,502,844	(241,297)

CITY OF SANBORN, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2013

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$250,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the budgeted amount for the general government function.

Supplementary Information

CITY OF SANBORN, IOWA

Schedule 1

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				Debt Service	Total
	Low-Moderate Housing	Road Use Tax	Employees Benefits	Housing		
Receipts:						
Property tax	\$ -	\$ -	\$ 76,147	\$ -	\$ 82,040	\$ 158,187
Other city tax	-	-	-	-	-	-
Use of money and property	189	-	-	-	606	795
Intergovernmental	-	134,455	-	37,178	-	171,633
	<u>189</u>	<u>134,455</u>	<u>76,147</u>	<u>37,178</u>	<u>82,646</u>	<u>330,615</u>
Disbursements:						
Public safety	-	-	39,287	-	-	39,287
Public works	-	98,543	19,687	-	-	118,230
Culture and recreation	-	-	16,786	-	-	16,786
Community and economic development	-	-	-	25,203	-	25,203
General government	-	-	5,077	-	-	5,077
Debt Service	-	-	-	-	153,967	153,967
	<u>-</u>	<u>98,543</u>	<u>80,837</u>	<u>25,203</u>	<u>153,967</u>	<u>358,550</u>
Excess (deficiency) of receipts over (under) disbursements	189	35,912	(4,690)	11,975	(71,321)	(27,935)
Other financing sources (uses):						
Bonds issued	-	-	-	-	150,000	150,000
Operating transfers out	-	-	-	-	(178,000)	(178,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,000)</u>	<u>(28,000)</u>
Net change in cash balances:	189	35,912	(4,690)	11,975	(99,321)	(55,935)
Balance beginning of year	<u>43,125</u>	<u>40,215</u>	<u>20,831</u>	<u>(47,603)</u>	<u>122,234</u>	<u>178,802</u>
Balance end of year	<u>\$ 43,314</u>	<u>\$ 76,127</u>	<u>\$ 16,141</u>	<u>\$ (35,628)</u>	<u>\$ 22,913</u>	<u>\$ 122,867</u>
Cash basis fund balance						
Restricted for:						
Housing	\$ 43,314	\$ -	\$ -	\$ -	\$ -	\$ 43,314
Debt Service	-	-	-	-	22,913	22,913
Other purposes	-	76,127	16,141	(35,628)	-	56,640
	<u>\$ 43,314</u>	<u>\$ 76,127</u>	<u>\$ 16,141</u>	<u>\$ (35,628)</u>	<u>\$ 22,913</u>	<u>\$ 122,867</u>

See accompanying independent auditor's report.

CITY OF SANBORN, IOWA

Schedule 2

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes and bonds:									
Street and Utility Improvements and Refunding of Notes	June 15, 2007	3.75 - 4.20 %	735,000	230,000	-	40,000	190,000	9,423	-
Swimming Pool Bonds	March 9, 2010	1.00 - 3.10 %	1,500,000	1,300,000	-	200,000	1,100,000	30,075	-
Fire Truck Interim Financing	October 30, 2012	0%	150,000	-	150,000	150,000	-	-	-
				<u>\$ 1,530,000</u>	<u>150,000</u>	<u>390,000</u>	<u>1,290,000</u>	<u>39,498</u>	<u>-</u>
Revenue notes and bonds:									
Sewer Revenue Bond	June 9, 2004	3.00 %	\$ 916,000	\$ 655,000	-	42,000	613,000	19,650	-
Water Revenue Bond	July 12, 2012	.85 - 3.0%	695,000	-	695,000	40,000	655,000	12,804	-
				<u>\$ 655,000</u>	<u>695,000</u>	<u>82,000</u>	<u>1,268,000</u>	<u>32,454</u>	<u>-</u>

See accompanying independent auditor's report.

CITY OF SANBORN, IOWA

Schedule 3

BOND AND NOTE MATURITIES

JUNE 30, 2013

General Obligation Notes and Bonds for Street and Utility Improvements and Refunding of Notes					
Year Ending June 30,	Issued June 15, 2004		Issued June 15, 2007		Total General Obligation Notes and Bonds
	Interest Rates	Amount	Interest Rates	Amount	
2014	4.05%	45,000	1.70%	200,000	245,000
2015	4.10%	45,000	2.10%	205,000	250,000
2016	4.15%	50,000	2.50%	205,000	255,000
2017	4.20%	50,000	2.80%	215,000	265,000
2018		-	3.10%	275,000	275,000
		<u>\$ 190,000</u>		<u>\$ 1,100,000</u>	<u>\$ 1,290,000</u>

Revenue Bond - Water Issued July 12, 2012					
Year Ending June 30,	Revenue Bond - Water Issued July 12, 2012		Revenue Bond - Sewer Issued June 9, 2004		Total Revenue Notes and Bonds
	Interest Rates	Amount	Interest Rates	Amount	
2014	0.85%	40,000	3.00%	43,000	83,000
2015	0.85%	40,000	3.00%	44,000	84,000
2016	1.50%	45,000	3.00%	46,000	91,000
2017	1.50%	45,000	3.00%	47,000	92,000
2018	1.50%	45,000	3.00%	49,000	94,000
2019	1.50%	45,000	3.00%	50,000	95,000
2020	1.50%	45,000	3.00%	52,000	97,000
2021	1.50%	45,000	3.00%	53,000	98,000
2022	2.60%	45,000	3.00%	55,000	100,000
2023	2.60%	50,000	3.00%	56,000	106,000
2024	2.60%	50,000	3.00%	58,000	108,000
2025	3.00%	50,000	3.00%	60,000	110,000
2026	3.00%	55,000			55,000
2027	3.00%	55,000			55,000
		<u>\$ 655,000</u>		<u>\$ 613,000</u>	<u>\$ 1,268,000</u>

See accompanying independent auditor's report.

CITY OF SANBORN, IOWA

Schedule 4

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE NINE YEARS ENDED JUNE 30:

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts									
Property tax	\$ 424,440	410,010	372,195	342,061	333,419	314,787	300,436	307,930	310,156
Tax increment financing collections	309,608	302,657	338,326	330,923	316,767	322,536	300,923	274,714	268,794
Other city tax	153,407	131,691	132,475	98,389	160,293	119,993	110,846	86,993	86,705
Licenses and permits	1,859	2,265	1,970	2,240	2,006	3,309	2,025	2,640	2,295
Use of money and property	8,513	10,339	33,675	12,398	24,453	91,992	101,889	85,642	65,244
Intergovernmental	372,994	259,249	300,828	227,850	171,152	205,972	339,906	270,420	410,820
Charges for service	404,813	413,717	416,438	367,092	321,482	211,599	147,033	140,143	136,521
Special assessments	-	-	-	-	-	14,245	13,242	19,142	24,963
Miscellaneous	115,539	79,128	435,623	455,086	160,653	123,736	95,980	255,115	370,801
	<u>\$ 1,791,173</u>	<u>\$ 1,609,056</u>	<u>2,031,530</u>	<u>1,836,039</u>	<u>1,490,225</u>	<u>1,408,169</u>	<u>1,412,280</u>	<u>1,442,739</u>	<u>1,676,299</u>
Disbursements:									
Operating:									
Public safety	\$ 599,586	197,001	223,884	355,630	237,193	206,137	325,424	156,047	205,530
Public works	175,731	152,257	195,442	173,525	178,391	173,930	193,169	158,089	163,125
Culture and recreation	506,993	525,741	2,363,203	522,902	470,737	563,835	662,809	263,336	286,071
Community and economic development	141,712	388,089	252,458	69,672	53,122	174,789	110,066	115,815	302,720
General government	164,465	133,373	120,051	120,855	129,655	114,919	116,409	109,260	131,803
Debt service	433,464	284,057	186,808	260,690	258,958	266,006	522,856	213,768	208,664
Capital projects	-	-	-	682,839	274,250	416,338	26,337	430,159	21,103
	<u>\$ 2,021,951</u>	<u>\$ 1,680,518</u>	<u>3,341,846</u>	<u>2,186,113</u>	<u>1,602,306</u>	<u>1,915,954</u>	<u>1,957,070</u>	<u>1,446,474</u>	<u>1,319,016</u>

See accompanying independent auditor's report



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sanborn's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sanborn's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sanborn's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sanborn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sanborn's Responses to Findings

The City of Sanborn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sanborn during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

March 25, 2014

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2013

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - We noted that the cash receipts function and the recording of the cash receipts is, on occasion, performed by the same person.

Criteria - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Cause - The City of Sanborn is a small municipality; therefore their staff includes a small number of office employees.

Effect - The lack of a proper segregation of duties is a material weakness that may result in a material misstatement of the financial statements, and provides greater opportunity for fraudulent activity to go undetected.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible with existing personnel, and utilize administrative personnel to provide additional control through oversight and review.

Response - We will review our operating procedures and to the extent possible, segregate duties among our staff.

Conclusion – Response accepted.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 exceed the amount budgeted in the general government function.

Criteria – Chapter 384.20 of the Code of Iowa states in part, “Public monies may not be expended except under an annual or continuing appropriation.

Cause – The City did not track the budget v. actual disbursements closely enough to identify the problem.

Effect – The expenditures exceeding the budgeted amounts in the general government function did not comply with the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted

II-B-13 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

II-D-13 Business Transactions – No transactions between the city and city officials were noted.

II-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2013

II-H-13 Revenue Bonds and Notes – Net revenues generated by the Sewer Fund were \$23,261, or 38% of the principal and interest paid on the sewer revenue bonds in a year.

Criteria – The Sewer Bond covenants require the City to generate net revenues greater than 110 percent of the principal and interest due on the bonds.

Cause – The City did not test this covenant to identify covenant violation.

Effect – The City did not comply with bond covenants.

Recommendation – The City should consider raising sewer rates and consult with your bond counsel to determine the steps needed to rectify this violation.

Response – We raised our rates effective in February 2014 to address this issue.

Conclusion – Response accepted.

II-I-13 Christmas Bonuses - We noted that the City has made a practice of providing Christmas bonuses in the form of Chamber dollars to its employees.

Criteria – The IRS considers any form of payment to an employee wages that should be included on the employee's W-2.

Cause – The City considered the payments a de minimis fringe benefit that would not be required to be added to the W-2.

Effect – The W-2 earnings for the City employees were under reported to the extent of the Chamber dollars awarded.

Recommendation – The City should include all employee payments, including chamber dollars, as earnings on the employees' W-2 payroll forms.

Response – We will take action to report all pay correctly in the future.

Conclusion – Response accepted.

II-J-13 Ground rental – It came to our attention during fieldwork that the City owns ground suitable for farming that has been allowed to be farmed without a written contract and without going through bidding procedures.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2013

Criteria – When allowing real estate owned by the City to be farmed or otherwise used personally, the City should use a bidding process to ensure the City is given all funds it is entitled to. Real estate dealings should also be in writing to avoid any legal issues.

Cause – The City ground is a small parcel and the total income of the land is not material to the City.

Effect – The usage of city property was not properly controlled, either through bidding with a written lease agreement.

Recommendation – The City should seek bids for all real estate transactions such as this and document any such transactions in writing.

Response – We will implement your recommendations.

Conclusion – Response accepted.

II-K-13 Financial Condition – As of June 30, 2013, the Housing Fund had a deficit balance of \$35,628 and the Solid Waste Fund had a deficit balance of \$28,495.

Criteria – A Fund with a deficit fund balance does not appear to be in a strong financial condition.

Cause – The timing of grant receipts did not correspond with related disbursements made from the Housing Fund. The Solid Waste Fund has been saving money in the Equipment Replacement Fund.

Effect – The funds were not in good financial condition at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate these deficits.

Response – The Housing Fund deficit was due to reimbursement type grants which were used to fund the housing activities. The deficit will be eliminated when all grant reimbursements have been collected. The Solid Waste Fund deficit was due in part to transferring money to the Equipment Replacement Fund for future needs.

Conclusion – Response accepted.